

Press Release

PURULIA METAL CASTING PRIVATE LIMITED

October 16, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 47.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (**read as SMERA BB**) on the Rs. 47.00 crore bank facilities of PURULIA METAL CASTING PRIVATE LIMITED. The outlook is '**Stable**'.

Purulia Metal Casting Private Limited (PMCPL), incorporated in 2004, is a Kolkata-based company promoted by Mr. Bhabani Prasad Mukherjee and Ms. Gautam Sen. The company is engaged in the manufacturing of MS Billets and TMT Bars and has installed capacity of 133200 MTPA and 120000 MTPA respectively. The manufacturing facility is located at Purulia, West Bengal.

Key Rating Drivers

Strengths

- **Experienced management**

The Directors, Mr. Bhabani Prasad Mukherjee and Mr. Gautam Sen have experience of more than a decade in the iron and steel industry.

- **Comfortable financial risk profile**

PMCPL's comfortable financial risk profile is marked by high net worth of Rs.49.52 crore in FY2017 (Provisional) as against Rs.44.56 in FY2016. The increase in the net worth levels of the company has been due to equity infusion of Rs. 0.20 crore in FY2017 apart from the accretion to reserves. The gearing of the company stood comfortable at 0.93 times in FY2017 (Provisional) compared to 0.97 times in FY2016, mainly on account of repayment of long term debt obligation. It is also coupled with healthy interest coverage ratio (ICR) of 1.83 times (Provisional) in FY2017 (Provisional) as against 1.88 times in FY2016. The Debt service coverage ratio (DSCR) stood comfortable at 1.31 times in FY2017 (Provisional) as against 1.27 times in FY2016. The net cash accruals to total debt (NCA/TD) stood moderate at 0.10 times in FY2017 (Provisional).

Weaknesses

- **Working capital intensive operations**

PMCPL's operations are working capital intensive marked by gross current asset (GCA) days of 163 during FY2017 (Provisional) compared to 289 days in FY2016. This necessitates working capital requirements as major funds gets blocked in inventory and debtors. The inventory and debtors days stood at 77 and 82 respectively in FY2017 (Provisional) compared to 162 and 103 in FY 2016, mainly on account of inherent cyclical nature of the iron and steel industry.

- **Volatility in raw material prices, cyclicity in the end user industry**

Prices of major raw material i.e. MS Billets are volatile which would impact profitability. Further, the company's high reliance on the end user industry - construction limits the upside potential as it is currently on a negative outlook.

- **Debt funded capex plan**

The company is building a sinter plant with capacity of 250 tons per day. The total cost of the project is estimated at around Rs. 25 crore to be funded by term loan of Rs. 10 crore and the balance from own sources. The plant is expected to be operational from April 2018.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of PMCPL.

Outlook: Stable

SMERA believes that PMCPL will maintain a stable outlook over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in scale of operations while maintaining a comfortable capital structure achieving sustained improvement in profit margins. The outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2016-17, PMCPL reported loss of Rs.1.28 crore on total operating income of Rs.304.72 crore, compared to net loss of Rs.1.17 crore on total operating income of Rs.165.58 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable)

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Dec-2016	Cash Credit	Long Term	INR 35	SMERA BB / Stable
	Term Loan	Long Term	INR 2	SMERA BB / Stable
	Proposed Long Term Loan	Long Term	INR 7	SMERA BB / Stable
	Proposed Long Term Loan	Long Term	INR 3	SMERA BB / Stable
19-Aug-2015	Cash Credit	Long Term	INR 35	SMERA BB+ / Stable
	Term Loan	Long Term	INR 2	SMERA BB+ / Stable
	Proposed Long Term Loan	Long Term	INR 7	SMERA BB+ / Stable
	Proposed Long Term Loan	Long	INR 3	SMERA BB+ / Stable

		Term		
15-Jul-2015	Cash Credit	Long Term	INR 35	SMERA BB+ / Stable
	Term Loan	Long Term	INR 2	SMERA BB+ / Stable
	Proposed Long Term Loan	Long Term	INR 7	SMERA BB+ / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	SMERA BB / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Abhishek Dey Executive Analyst - Rating Operations Tel: +91 33 6620 1222 abhishek.dey@smera.in	.

ABOUT SMERA

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